



Legislative Interim Committee on School Finance

Meeting #4

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December 15, 2017

Agenda

- Opening remarks from Interim Committee
- Framing remarks
- Finance
 - State and local revenue generation
- Funding elements
 - Identification of at-risk students
 - Categorical program funding
 - Per-pupil student-based allocation
- Next steps

Framing: Choluteca Bridge

- The Choluteca Bridge was constructed between 1935 and 1937 by the U.S. Army Corps of Engineers as a replica of the Golden Gate Bridge.



New Choluteca Bridge

- Between 1996 and 1998, a new bridge was constructed.
- At about the same time of its completion, Hurricane Mitch – a Category 5 hurricane – struck Central America.
- Most bridges across Honduras were damaged and some severely damaged.
- The New Choluteca Bridge came out relative unscathed. Its engineering marvel proved resilient.

But...



Some Additional Framing: Possible Ingredients to Systemic Change

- Some thoughts from Bryan Stevenson who works in criminal justice reform.
- **Proximity.** Getting close to those with lived experiences to understand challenges, but also to help find solutions.
- **Change narratives underlying the debates.** Too many narratives intended to create fear and anger.
- **Stay hopeful.** Hopelessness is our greatest enemy.
- **Be willing to do things that are uncomfortable.**

Who pays? How to pay?

FINANCE: STATE AND LOCAL REVENUE GENERATION

Colorado Constitution

- Gallagher Amendment (1982).
 - Taxpayer's Bill of Rights (TABOR) (1992).
 - Amendment 23 (2000).
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- Let's start from the most recent and work our way backwards.

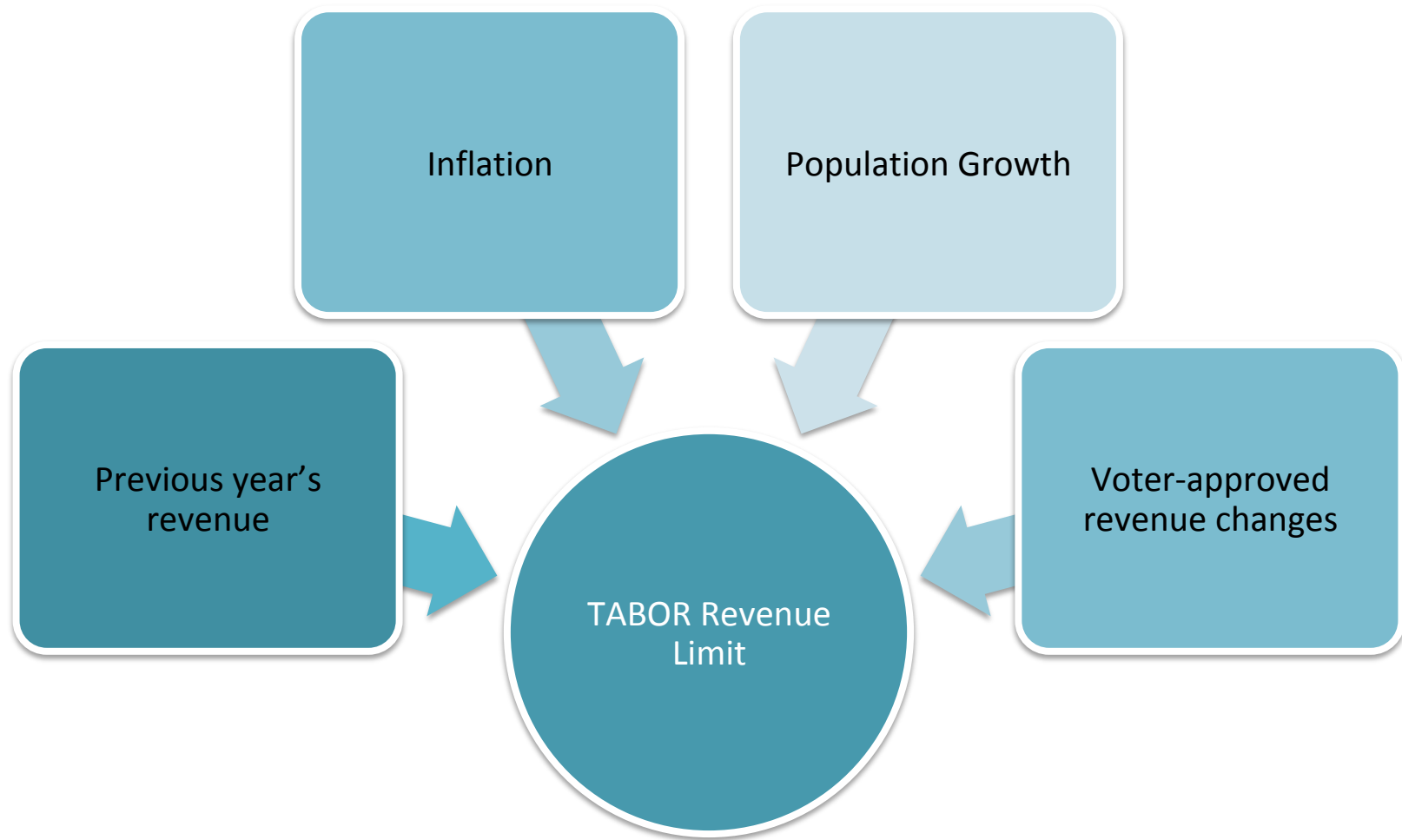
Amendment 23

- Helps to set the level of Total Program funding.
- Requires the General Assembly to provide annual inflationary increases in the statewide base per-pupil funding amount.
 - \$6,546 in 2017-18 (2.8 percent over previous year)
 - For fiscal years 2001-02 through 2010-11, the required increase by at least inflation plus 1 percent
 - Inflation calculated as the consumer price index in Denver-Boulder-Greeley
- Applies to categorical program funding, as well.

TABOR

- Imposes a property tax revenue limit based on inflation and changes in student enrollment.
- Requires voter approval for any increase in a mill levy.
- Requires voter approval for any increase in the assessment rate for a class of property.

TABOR Revenue Limits



Ratcheting Down of Mill Levies

- When property tax revenue exceeds TABOR revenue limits, a school district is required to reduce its mill levy to keep property tax revenue within the limit.
- The decline in mill levies caused school district revenue to ratchet down to have revenues match to TABOR limits.
- If property values change (decrease), the mill levies are set at the lower rate and any increase requires voter approval, even if to maintain the previous year's revenue levels.

Voter Approval for Revenue Changes and Increases

- Requires voter approval to retain revenues above the formulaic TABOR limit.
- Requires voter approval for any new tax, tax rate increase, mill levy increase, an increase in a property assessment valuation ratio, extension of an expiring tax, or a tax policy change causing a net tax revenue gain.

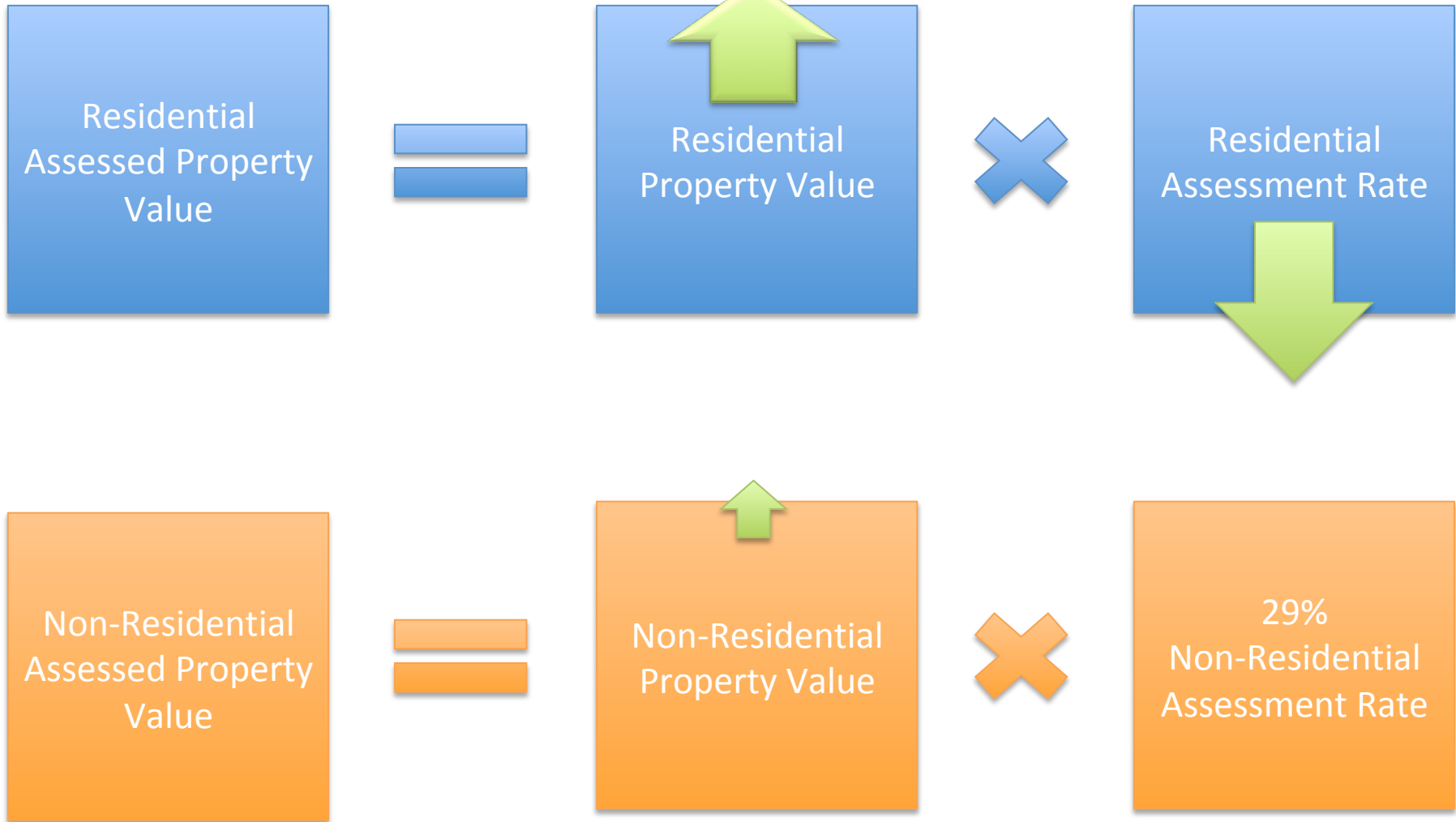
Gallagher Amendment

- State must adjust **assessment rate** of **residential** property to ensure the **assessed value** of taxable residential property relative to the assessed value of non-residential property remains the same as it was in 1985.
 - 46% for residential property
 - 54% for non-residential property

Gallagher – Assessment Rates

- Assessment rate for all **non-residential** property constitutionally set at **29%**.
- If the ratio of assessment values must maintain this 46% (residential) and 54% (non-residential) balance AND the assessment rate for non-residential property is fixed at 29%, then the only thing that can change is the assessment rate on residential property.

Maintaining Balance of Assessed Property Value



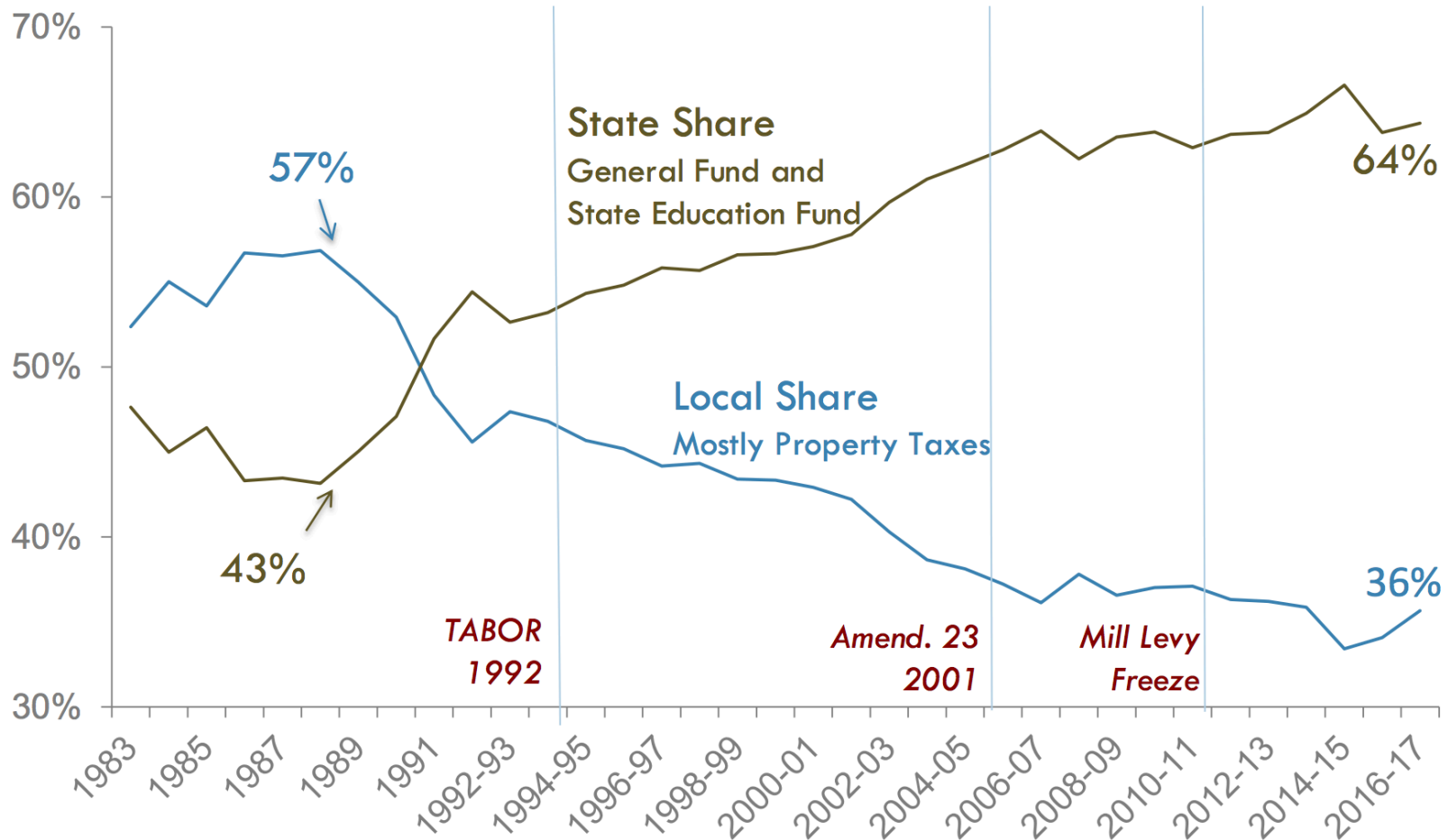
Gallagher – Decreasing Assessment Rates Over Time

- In 1982, the residential and non-residential assessment rates were set at 30%.
- Since 2003, the residential assessment rate has been 7.96% of a home's market value.
- In 2018, residential assessment rate is expected to drop to 7.20% as a result of higher increases in residential property value than non-residential property value.
 - Most of this increase in residential property value in select areas of the state, but has implications for the entire state.

Interaction of Gallagher & TABOR

- When the residential assessment rate remained constant or decreased due to the Gallagher Amendment, the school district property tax base would fall. Because TABOR prohibits mill levy increases without voter approval, school district property tax revenue grew more slowly than it otherwise would have, reducing the money available for the local share of school finance. Since the state was required to make up the difference, the local share of school funding fell while the share covered by state aid rose.

Swapped Share of Total Program Funding



Source: Education Budget Outlook, Natalie Mullis, LCS February 2017

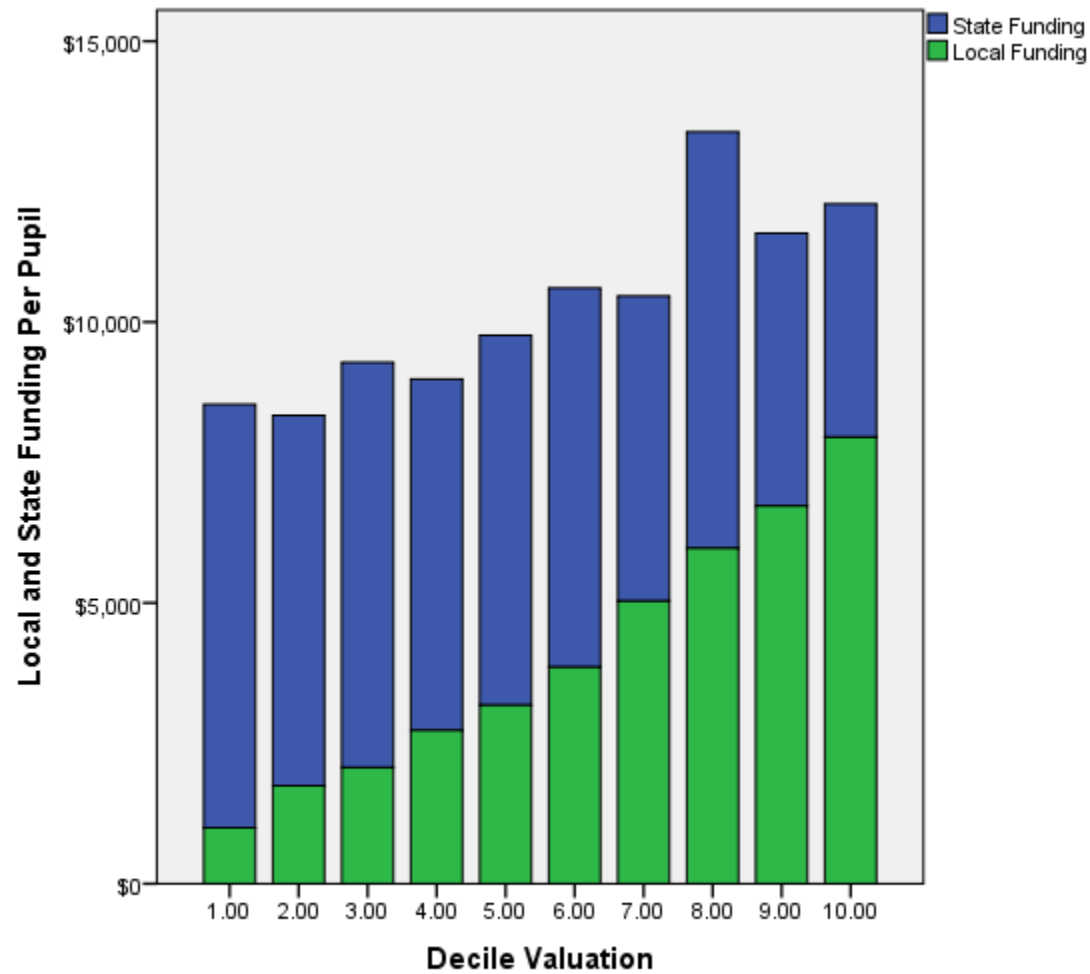
Districts Respond with Mill Levy Over-rides

- Over-ride revenue for each district is capped at the *greater* of 25 percent of total program funding or \$200,000.
 - Total mills are capped at 27 mills.
- In 1996-97, voters in 55 school districts authorized mill levy over-rides (\$93 million in added revenues).
- In 2015-16, voters in 118 school districts authorized mill levy over-rides (\$860 million in added revenues).

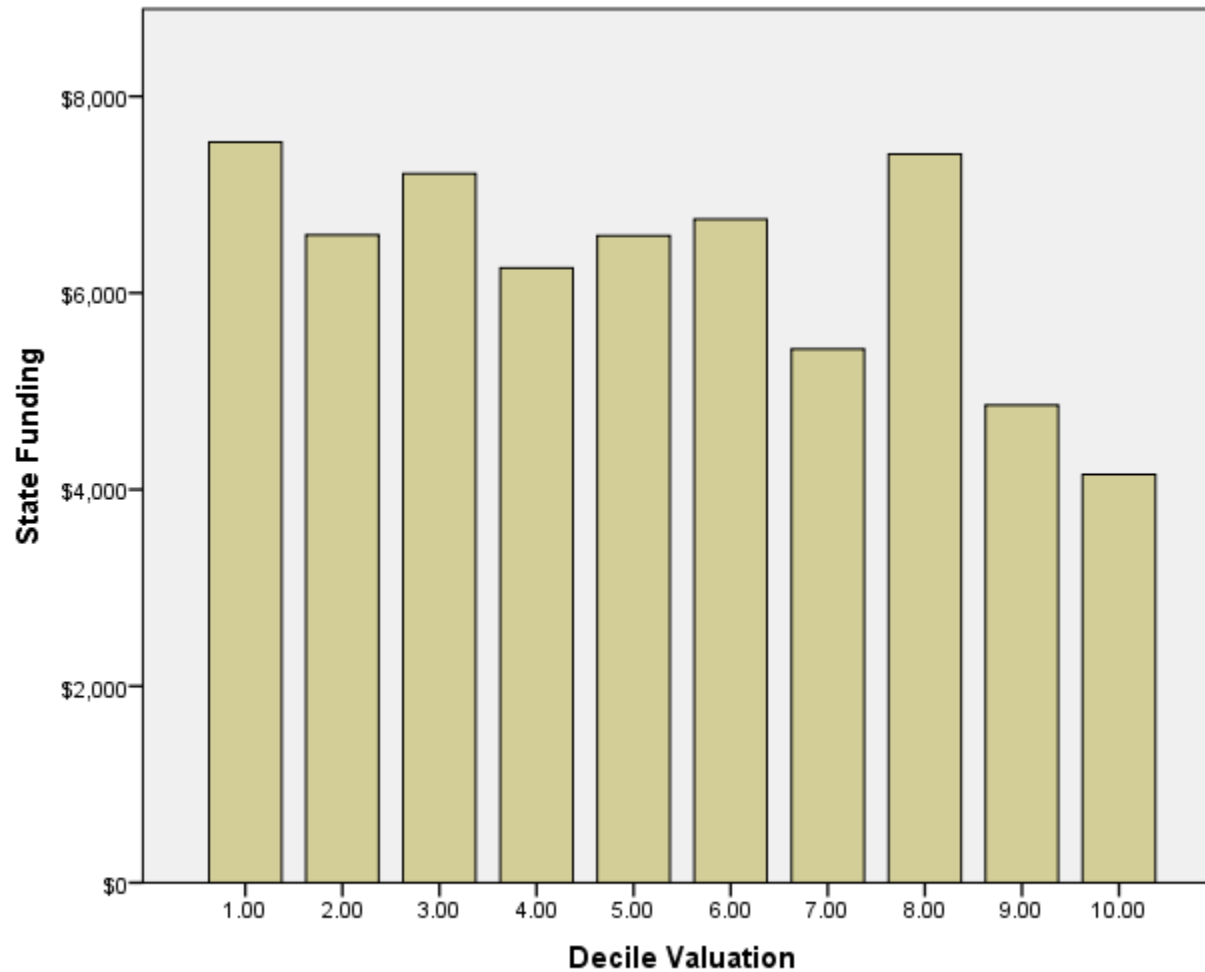
Revenue Per Pupil

- Total Revenue PP (Including Over-ride).
 - Weighted Average: \$8,532
 - Restricted Range: \$7,231 to \$16,033
- State Revenue PP (after Budget Stabilization Factor).
 - Weighted Average: \$4,993
 - Restricted Range: \$2,141 to \$11,000
- Local Revenue PP.
 - Weighted Average: \$3,539
 - Restricted Range: \$1,067 to \$10,067

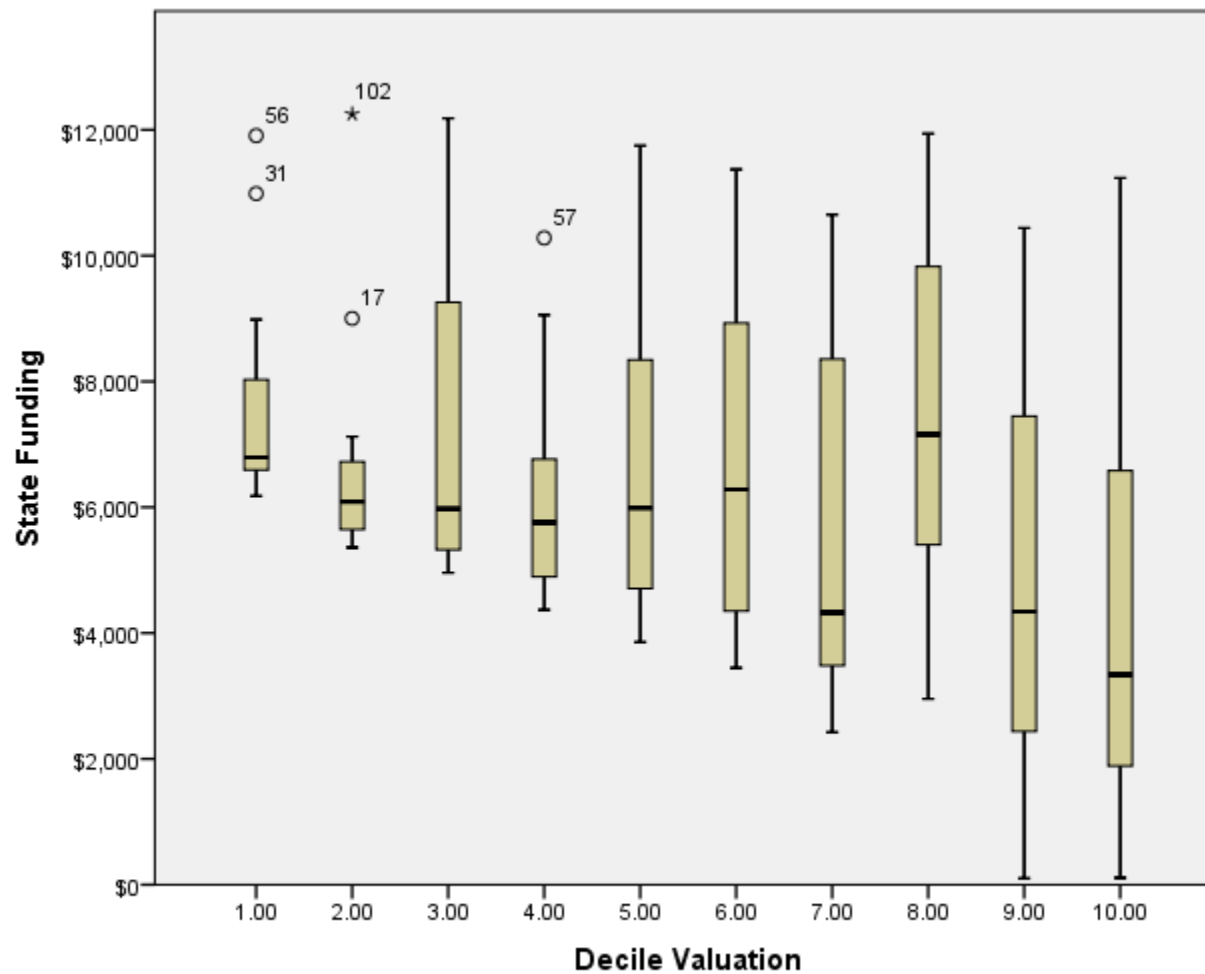
State and Local Funding by Decile



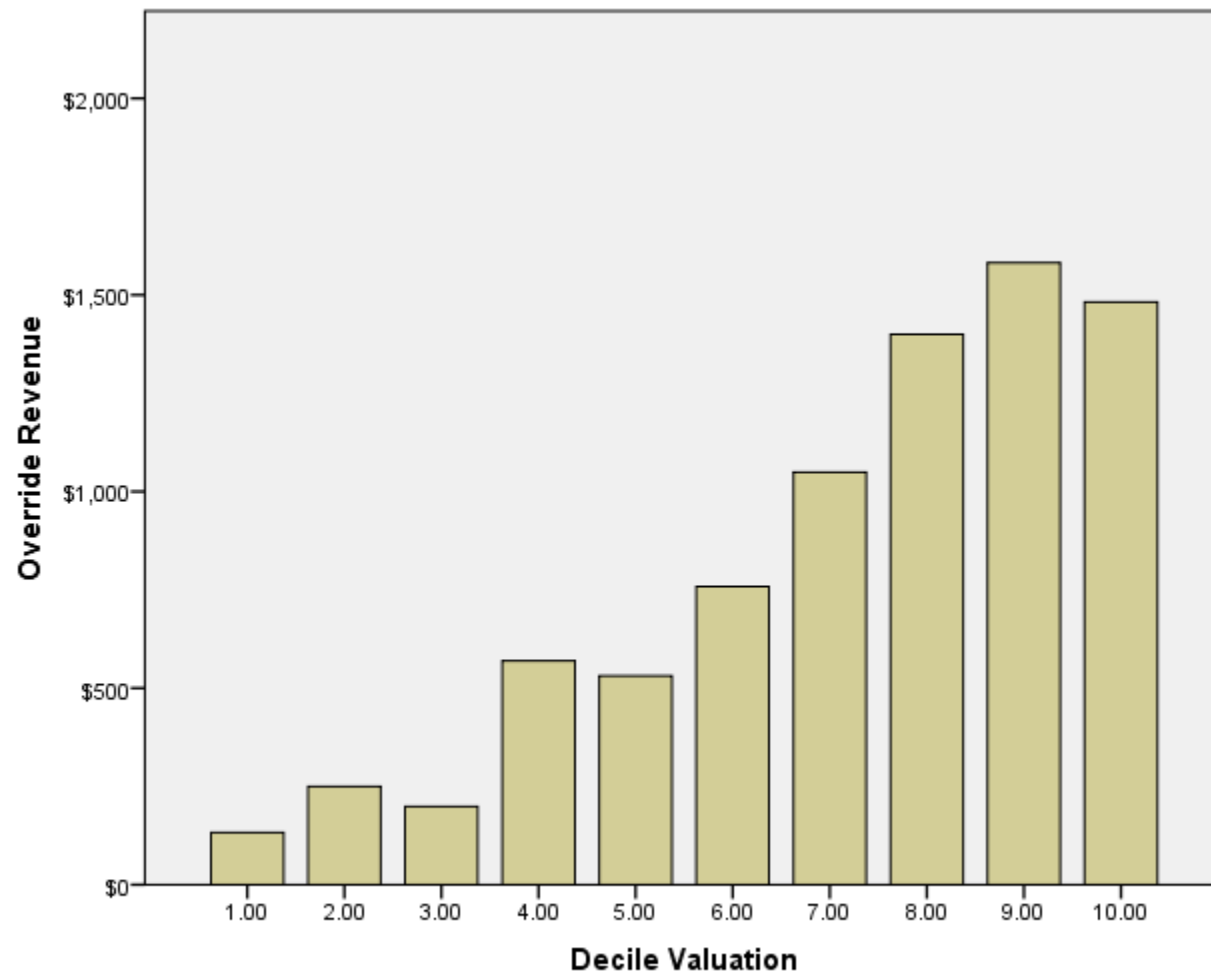
State Funding by Decile



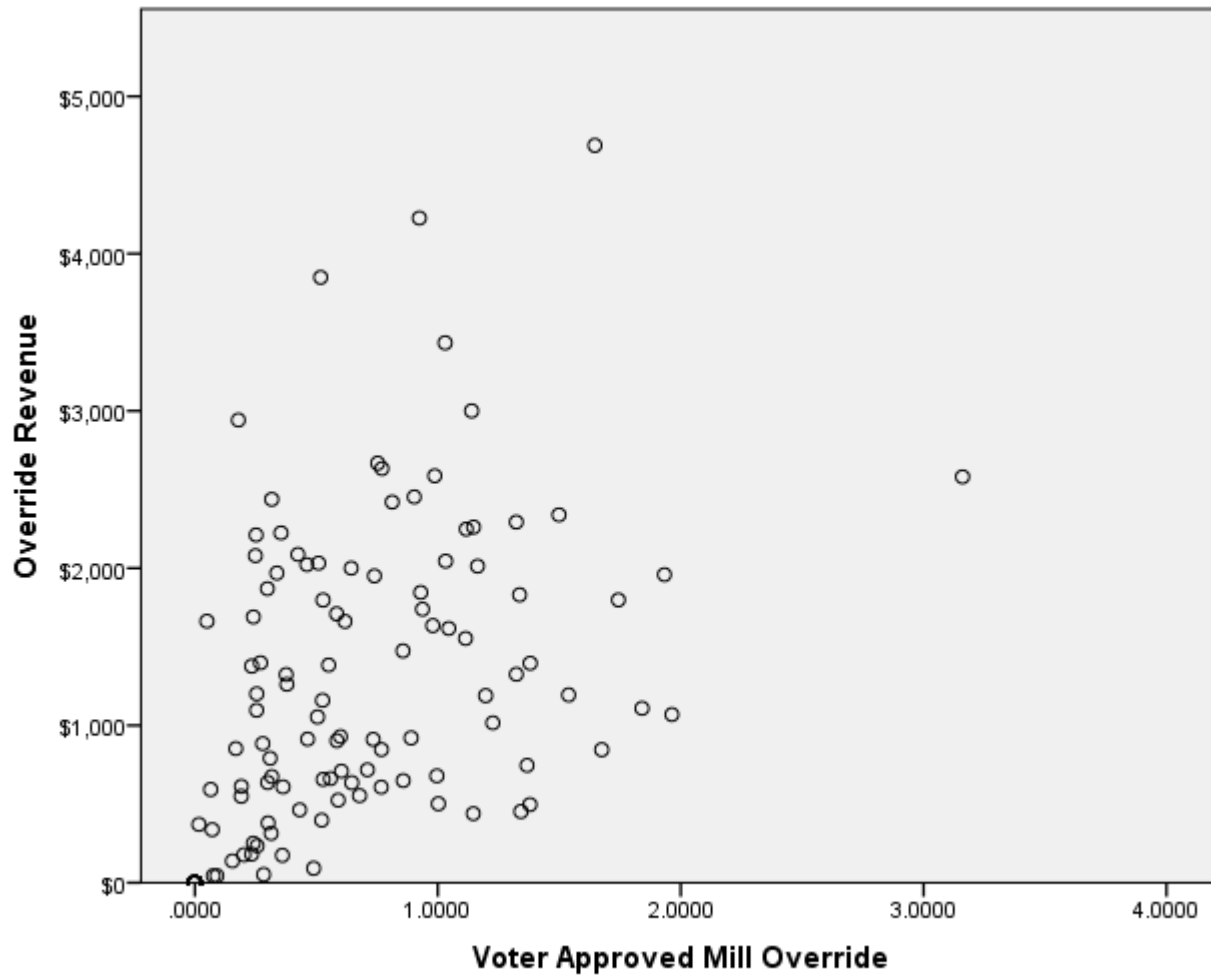
Variation in State Funding by Decile



Over-ride Revenue by Decile



Over-ride Revenue by Mill Rate



Perturbation in Taxpayer Expectations

- Local revenues account for 36.3 percent of Total Program Funding in 2017-18.
 - Ranges from 5.3 percent to 99.0 percent
- Variation is a result of assessed value and applied mill levies.
- Similarly valued residential properties do not have similarly applied mill levies
 - Differential tax burdens for similarly situated homeowners.

Further Resources

CO Department of Education (December 2017).
Staff Budget Briefing FY 2018-19. Presentation
to the Joint Budget Committee.

CO Department of Education (December 2017).
JBC Staff FY 2018-19 Briefing. Presented to the
Joint Budget Committee

DISCUSSION

IDENTIFICATION OF AT-RISK STUDENTS

At-Risk Students

- Students who have a higher probability of failing academically or dropping out of school.
- Could be a result of personal circumstances: homelessness, incarceration, pregnancy, health, transiency, factors related to poverty.
- Could be a result of student learning: learning disabilities, low test scores, disciplinary problems, grade retention, or other learning-related factors.
- In most cases, risk factors are situational rather than innate to the student.

Identification of At-Risk Students

- Colorado provides funding to serve at-risk students through Formula Funding and Categorical Funding.
- Formula Funding uses eligibility for federal free lunch program as a proxy measure.
- Categorical Funding uses students identified as expelled or habitually truant or at-risk of being expelled or habitually truant.

Use of Proxy Measure

- Most states use some kind of proxy measures to allocate funds to serve at-risk students –federal eligibility for free- and/or reduced-price lunch program.
 - Data are pretty easily available
- Proxy measures typically correlated with more direct measures of “at-risk” student-learning measures.
- Proxy measures seek to avoid perverse incentives of using direct measures of student learning.

Can Always Find Better Proxies: MI Research “Persistent Poverty”

- In Michigan, 60 percent students are eligible for free- or reduced-price lunch at least once by 8th grade.
- 14 percent of students are eligible for every year that they are in school.
- Each additional year of economic disadvantage increases the achievement gap with non-disadvantaged peers.

CATEGORICAL FUNDING

Categorical Funding

- Assistance to school districts & charters.
- Special purpose.
- Limited time frame.
- Address temporary shock.
- Experimentation/innovation.
- Restricted use of funds.
- “In-formula” and “out-of-formula” options.

Colorado's Categorical Programs

- Approximately \$297.6 million appropriated in 2017-18 through eight categorical programs.

Categorical Program	2017-18 Funding
Special Education – Students with disabilities	\$171,591,964
Special Education – Gifted & Talented	\$12,355,524
English Language Proficiency Act	\$47,283,048
Public School Transportation	\$57,651,722
Career & Technical Education	\$26,164,481
Small Attendance Center	\$1,076,550
Expelled & At-Risk Student Services	\$7,493,560
Comprehensive Health Education	\$1,005,396

Special Education – Students With Disabilities

- Provides funding for services to approximately 95,000 students.
- Three additional uses:
 - Tuition (\$500,000)
 - High-cost disabilities (\$4 million)
 - Early intervention (\$2.5 million) to administrative units

Special Education – Students With Disabilities

- \$1,250 allocated per identified student; accounts for \$160.1 million of the \$167.1 million.
- Administrative units receive an additional \$6,000 per student identified with the following disabilities:
 - Autism Spectrum Disorder; Deaf-Blind; Hearing Impaired, including Deafness; Intellectual Disabilities; Multiple Disabilities; Serious Emotional Disability; Traumatic Brain Injury; Visual Impairment, including Blindness

Special Education – Gifted & Talented

- Provides funding for services to approximately 68,000 students.
- Funding provided to Administrative Units.
 - 81 percent of program funding reserved for 36 administrative units
 - 19 percent of program funding reserved for 24 administrative units
 - Includes factors such as enrollment under 2000, percent of rural districts, and number of districts
- Includes funding for universal screening and qualified personnel.

English Language Proficiency Act

- Two programs serving more than 126,000 students.
 - English Language Proficiency Program (\$20,283,048)
 - Professional Development and Student Support Program (\$27,000,000).
- Eligibility requirements:
 - Non-English Proficient (NEP), Limited-English Proficient (LEP), and Fluent-English Proficient (FEP) Monitor Year 1 and Monitor Year 2.
 - Funding for up to five years of eligibility.

English Language Proficiency Act

- 75 percent of programs funding must be spent on Non-English Proficient and Limited-English Proficient students; 25 percent of programs funding to Fluent-English Proficient Monitor Year 1 and 2 students.
- ELPA Excellence Award is a third program that is designed to award districts and charter schools (\$500,000) who have higher-than-average outcomes.
 - 10 districts and 10 charter schools in 2016-17

Public School Transportation

- Estimated 376,000 students (about 42% of student population) served.
- Reimbursement formula:
 - Mileage Allowance: \$0.3787 (37.87 cents) for each mile travelled
 - Excess Costs: 33.87 percent of the difference between district expenditures and mileage allowance
- Reimbursable transportation expenditures: fuel and oil, maintenance, equipment, facilities, bus drivers, and insurance.

Career & Technical Education

- Administered by State Board for Community Colleges and Occupational Education.
 - Provides approval for courses
- Districts pay 70 percent of its per-pupil revenue.
- For expenditures exceeding 70 percent, state pays 80 percent of the first \$1,250 per FTE in excess and 50 percent of expenditures above \$1,250.
- Eligible expenditures: instructional personnel, contracted educational services, books and supplies, and equipment.

Small Attendance Center

- Schools with fewer than 200 students and at least 20 miles from a similar school in the same district (approximately 890 students).
- School district must have received funding prior to the 2008-09 budget year.
- Formula: 35 percent of the difference between district's per-pupil funding and the per-pupil funding the school would receive if it were a separate district.
- 13 schools in 11 districts are eligible.

Expelled & At-Risk Student Services

- Funding provided for expelled and truant students and students at risk of expulsion or suspension.
- Programs must be approved by the State Board, BOCES, state Department of Military and Veterans Affairs, and pilot schools under contract with the State Board.
- 45 percent of program funding must be awarded to applicants who provide students from more than one school district.

Comprehensive Health Education

- Colorado Comprehensive Health Education Act of 1990.
 - Encourages every school district to provide a planned, sequential health education program
 - Competitive grant program
- *School Health Professional Grant Program* makes available an additional \$9.4 million for three-year grants to school districts, BOCES, and charter schools; requires 10 percent local match.
 - Competitive grant program

Colorado Preschool Program

- Program serves children aged 3 to 5 years old who lack school readiness; are in need of language development; or who participate in state programs for neglected or dependent children.
- Participating students counted as 0.50 FTE.
- Program caps number of students to 28,265 generating approximately \$109 million (pre-Budget Stabilization Factor).
- Funded through the School Finance Act.

PER-PUPIL STUDENT-BASED ALLOCATION

Per-Pupil Student-Based Allocation

- Student-Based Formula.
- Student-Centered Formula.
- Weighted Student Formula.

Incentive to Reform

- Transparency.
- Flexibility (possible).
- Equity (possible).
- Principal Autonomy (possible, but is more a change in governance than funding).

Student- Based Formula (FY17)

Ingredient		
Base		
Personnel/CL/Size		
Non-Personnel/Size		
At-Risk		
Budget Stabilization		
Transportation		
Vocational Education		
English Language Proficiency		
Special Education—Disability		
Special Education—G and T		
Small Attendance Center		
ASCENT Program		
On-Line Program		
Hold Harmless		
Override		

Student- Based Formula (FY17)

Ingredient	Per Pupil	
Base	\$6,368	
Personnel/CL/Size	\$1,550	
Non-Personnel/Size	\$42	
At-Risk	\$1,158	
Budget Stabilization	(\$941)	
Transportation	\$65	
Vocational Education	\$263	
English Language Proficiency	\$151	
Special Education—Disability	\$1,067	
Special Education—G and T	\$138	
Small Attendance Center	\$1,311	
ASCENT Program	\$1,311	
On-Line Program	\$1,311	
Hold Harmless	\$23	
Override	\$1,086	

Student- Based Formula (FY17)

Ingredient	Per Pupil	Weight
Base	\$6,368	1.0
Personnel/CL/Size	\$1,550	.25
Non-Personnel/Size	\$42	.01
At-Risk	\$1,158	.18
Budget Stabilization	(\$941)	(.15)
Transportation	\$65	.01
Vocational Education	\$263	.04
English Language Proficiency	\$151	.02
Special Education—Disability	\$1,067	.17
Special Education—G and T	\$138	.02
Small Attendance Center	\$1,311	.21
ASCENT Program	\$1,311	.21
On-Line Program	\$1,311	.21
Hold Harmless	\$23	.00
Override	\$1,086	.17

Considerations of Student-Centered Funding

- Base tied to weights; Weights tied to base.
- Governance and accountability.
- District-specific values/weights.
- School and district-level influences.
- Equity and adequacy.

Further Resources

Center for Education Policy (August, 2009).
Student-Centered Funding and its Implications
for Colorado: A Primer for Policy Makers.
University of Colorado—Denver.

NEXT STEPS

Next Steps

- Working groups/subcommittees
- Stakeholder input & engagement at January 9, 2018 meeting
- Agenda items for meeting #5